

Title: METHOD AND SYSTEM  
FOR PROVIDING TAX AUDIT  
INSURANCE

Inventor(s): Daniel V. Walker et al.  
DOCKET NO.: 084478/0104

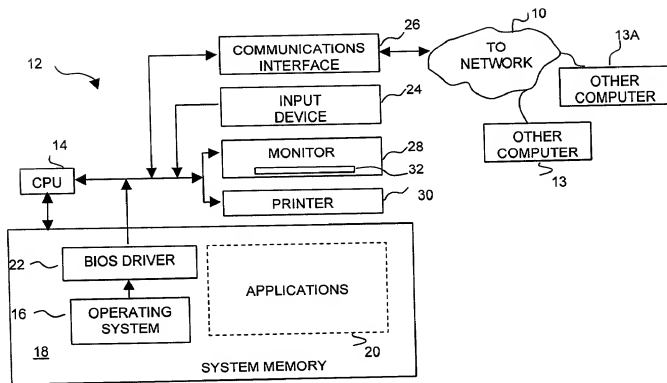


FIG. 1

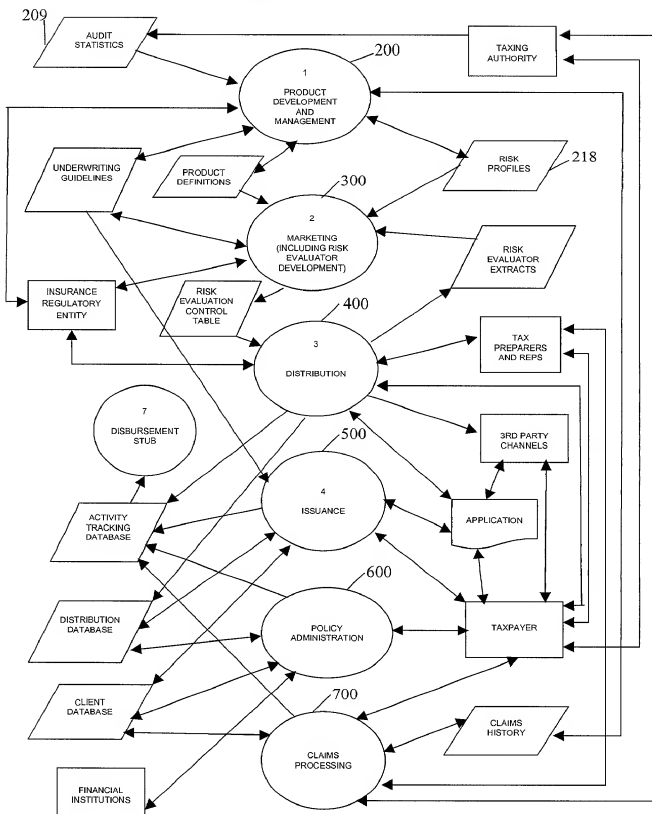


FIG. 2

Inventor(s): Daniel V. Walker et al.  
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Table 11 - Returns Filed, Examination Coverage (1997)  
December 28, 1998 - September 28, 1997

[illegible]

- a. Taxable 1120S Corporations  
b. 1120F-SC (Foreign Sales Corporations) and  
c. FIRPTA (U.S. Withholding Tax Return for Disposition by Foreign Persons of U.S. Property Interests, Form 6284)  
[2] Miscellaneous nontaxable include the following:  
a. 1120 DISC/IC DISC (Domestic International Sales Corporation), (IC: Interest Charge);  
b. REMIC (Real Estate Mortgage Investment Conduit); and  
c. REMIC (Real Estate Mortgage Investment Conduit); and

c. Other Miscellaneous Nonexempt forms not specified

[4] Dashes (--) in these tables indicate either information is not applicable or that particular cause or percent of any revenue is not identifiable.

[5] All dollar figures are reported in thousands of dollars.

[6] Employment ROE \*\*\* - This is Revenue Officer Examiner data (1993 and forward) included in 104 Annual Reports and is included in the Grants Table.

(8) CEP- Coordinated Examination Program

TGR: Total Gross Receipts  
TPI: Total Positive Income

Source: 1997 Internal Revenue Service Data Book, Publication 558.

Continued on Part 2

Figure 2A (Part 1)

Table 11 - Returns Filed, Excluding Coverage (1997)  
September 26, 1997 - September 26, 1997

Recommended Additional Tax and Penalties (in thousands of dollars)					Average Tax and Penalties Per Return				
Revenue Agent		Tax Auditor		Service	Total	Revenue Agent		Tax Auditor	Service
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
Non CEP	CEP					Net CEP	CEP		
1,075,168	1,633,333	1,14,487	4,238,725	3,855,960	29,837	78,810	3,463	1,373	
4,684,124	1,681,134	1,165,276	2,351,562	8,382,118	19,337	78,810	3,463	1,373	
309,182	115	435,899	1,583,093	2,398,274	18,794	37,774	3,205	2,179	
328,109	115	221,445	122,900	881,740	15,881		1,641	2,146	
1,240,284	184	197,458	84,380	1,502,802	11,156	12,282	2,565	1,524	
1,237,785	65,435	167,525	25,875	1,490,824	18,782	7,459	3,629	2,794	
241,103	123,960	231,708	33,080	508,468	10,750		5,360	1,981	
1,595,717	1,595,717	1,595,717	1,595,717	1,595,717	6,183	4,958,365	1,931	835	
89,420	12,863	5,174	5,841	107,827	29,505	55,360	1,931	835	
3,478,321	12,863	1,126	2,126	16,878	27,158	7,733	7,733	3,090	
84,786	379	6,820	202,032	10,668	28,143	12,657	12,657	7,105	
166,455	43,10	1,258	417,274	39,415	145,053	28,143	28,143	32,981	
147,311	851	2,243	150,405	34,084	27,483	21,267	21,267	44,179	
852,384	39,483	1,325	672,122	215,257	301,511	602,241	602,241	40,772	
428,749	114,521	211,172	543,441	13,115,300	710,418	5,754,284	5,754,284	4,901	
1,614,255	12,080,754	3,751	13,115,300	5,754,284	2,183	1,832	1,832	1,832	
45,789	1,220	6,761	48,778	1,400,807	122,376	1,400,807	1,400,807	9,386	
1,318,987	2,380	1,906	351,017	650,054	55,009	18,488,627	18,488,627	9,739	
85,478	150,041	955,478	650,054	1,318,987	18,488,627	18,488,627	18,488,627	6,119	
452,342	452,342	9,321	93,261	18,488,627	18,488,627	18,488,627	18,488,627	484	
18,488	18,488	1,139	77,779	28,822	33,195	33,195	33,195	484	
7,731	7,731								

Continued from Part 1

(1) Miscellaneous taxable includes the following:

- a. Taxable 1120S Corporations
- b. 1120BEC (Foreign Base Corporations); and
- c. 1120BEC (Foreign Base Corporations); and

(2) Miscellaneous nontaxable includes the following:

- a. 1120BEC (Domestic International Sales Corporation); (IC, interest charge).
- b. 1120BEC (Domestic International Sales Corporation); (IC, interest charge).
- c. Other Miscellaneous nontaxable forms not specified.

(3) Lines marked with \* are included in the line (66): Income, Estate & Gift, Total

(4) Lines marked with \*\* are included in the line (66): Income, Estate & Gift, Total

(5) Lines marked with \*\*\* are included in the line (66): Income, Estate & Gift, Total

(6) Employment (E) \*\*\*: This is the same as the line (66) and is included in the line (66)

(7) Employment (E) \*\*\*: This is the same as the line (66) and is included in the line (66)

(8) CEP: Conditional Exemption Program

(9) CEP: Conditional Exemption Program

(10) CEP: Conditional Exemption Program

(11) CEP: Conditional Exemption Program

(12) CEP: Conditional Exemption Program

(13) CEP: Conditional Exemption Program

(14) CEP: Conditional Exemption Program

(15) CEP: Conditional Exemption Program

(16) CEP: Conditional Exemption Program

(17) CEP: Conditional Exemption Program

Figure 2A (Part 2)

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**GLOSSARY**

211

DATA IDENTIFICATION

DATA SOURCE

DATA DESCRIPTION / MATHEMATICAL FORMULA

TYPE OF RETURN	DESCRIPTOR - TABLE 11	CATEGORY OF RETURNS (INDIVIDUAL VS CORPORATE)
FILING_CHARACTERISTICS_SUBSET	DESCRIPTOR - TABLE 11	IRS CLASSIFICATION OF FILERS (SUCH AS "TPI \$100,000 AND OVER" OR "SCHEDULE C - TGR \$25,000 - \$160,000")
RETURNS FILED	DATA - TABLE 11	TOTAL TAX RETURNS FILED FOR EACH [FILING CHARACTERISTICS SUBSET]
TYPE OF AUDIT_SUBSET	DESCRIPTOR - TABLE 11	TYPE OF IRS AUDIT SUCH AS "REVENUE AGENT" (RA), "TAX AUDITOR" (TA), AND "SERVICE CENTER" (SC)
'CLASSIFICATION KEY'	STIPULATED	STIPULATED FOR USE IN THIS DOCUMENT - REPRESENTS A KEY COMPRISED OF (TYPE OF RETURN), [FILING CHARACTERISTICS SUBSET], AND (TYPE OF AUDIT SUBSET)
RETURNS EXAMINED	DATA - TABLE 11	TOTAL RETURNS AUDITED FOR EACH [FILING CHARACTERISTICS SUBSET] AND (TYPE OF AUDIT SUBSET) COMBINATION
NO CHANGE PERCENTAGE	DATA - TABLE 11	PERCENTAGE OF AUDITS RESULTING IN NO ADDITIONAL ASSESSMENT (NO CHANGE)
AUDIT RESULT	DESCRIPTOR - TABLE 11	FINAL DISPOSITION (NO CHANGE OR WITH CHANGE)
NUMBER OF RETURNS WITHIN AUDIT RESULT	CALCULATION	[NUMBER OF RETURNS] FOR EACH 'CLASSIFICATION KEY' AND [AUDIT RESULT] COMBINATION
AUDIT RATE FOR RETURNS (WITHIN AUDIT RESULT)	CALCULATION	AUDIT RATE CALCULATED BY DIVIDING TOTAL RETURNS EXAMINED (WITHIN [AUDIT RESULT SUBSET]) BY TOTAL RETURNS FILED WITHIN [FILING CHARACTERISTICS SUBSET]
RECOMMENDED ADDITIONAL TAX AND PENALTIES	DATA - TABLE 11	AMOUNT OF ADDITIONAL TAX AND PENALTIES ASSESSED FOR EACH 'CLASSIFICATION KEY' AND [AUDIT RESULT SUBSET] COMBINATION
AVERAGE TAX AND PENALTY PER RETURN (WITHIN AUDIT RESULT)	CALCULATION	AVERAGE TAX AND PENALTY WHEN ADDITIONAL TAX AND PENALTY ASSESSMENT OCCURS (ZERO IS ASSUMED FOR NO CHANGE AUDITS)
POLICY LIMIT	STIPULATED	MAXIMUM AMOUNT PAYABLE FOR ENTIRE POLICY - BASED ON PLAN OFFERED
ACTUAL ASSESSMENT CLAIM EXPOSURE PER AUDIT	CALCULATION	LESSER OF [POLICY LIMIT] AND [AVERAGE TAX AND PENALTY PER RETURN (WITHIN [AUDIT RESULT SUBSET])]
ASSESSMENT CLAIM EXPOSURE PER POLICY SOLD	CALCULATION	AUDIT RATE FOR RETURNS (WITHIN AUDIT RESULT SUBSET) MULTIPLIED BY [ACTUAL ASSESSMENT CLAIM EXPOSURE PER AUDIT]
REPRESENTATION LIMIT	STIPULATED	MAXIMUM AMOUNT PAYABLE FOR REPRESENTATION PER POLICY - BASED ON PLAN OFFERED
POLICY LIMIT REMAINDER	CALCULATION	[POLICY LIMIT] MINUS [ACTUAL ASSESSMENT CLAIM EXPOSURE PER AUDIT]
ACTUAL REP CLAIM EXPOSURE PER AUDIT	CALCULATION	LESSER OF [POLICY LIMIT REMAINDER] AND [REPRESENTATION LIMIT]
REP CLAIM EXPOSURE PER POLICY SOLD	CALCULATION	AUDIT RATE FOR RETURNS (WITHIN [AUDIT RESULT SUBSET]) MULTIPLIED BY [ACTUAL REP CLAIM EXPOSURE PER AUDIT]
COMBINED ASSESSMENT AND REP CLAIM EXPOSURE PER POLICY SOLD	CALCULATION	[ACTUAL ASSESSMENT CLAIM EXPOSURE PER AUDIT] PLUS [REP CLAIM EXPOSURE PER POLICY SOLD]
TOTAL CLAIM EXPOSURE PER POLICY SOLD	CALCULATION	SUM OF COMBINED ASSESSMENT AND REP CLAIM EXPOSURE PER POLICY SOLD FOR ENTIRE [FILING CHARACTERISTICS SUBSET]

Figure 2B

FIGURE 2C

TYPE OF RETURN	FLING CHARACTERISTICS SUBSET	RETURNS FILED	TYPE OF AUDIT SUBSET	RETURNS EXAMINED	NO CHANGE %
TABLE 11	TABLE 11	TABLE 11	TABLE 11	TABLE 11	TABLE 11

REVENUE / GROSS	40824	11%
TAX AUDITOR	28137	31%
SERVICE CENTER	31118	38%

INDIVIDUAL

1040A - TFC < \$25,000	45343320
1040A - TFC < \$25,000	27222500
1040A - TFC < \$25,000	20425000
1040A - TFC < \$25,000	19443700
1040A - TFC < \$25,000	8044700
SCH C - TFC < \$25,000	2555000
SCH C - TFC < \$25,000	3250000
SCH C - TFC < \$25,000	1535500
SCH F - TFC < \$25,000	424500
SCH F - TFC < \$25,000	274500

CORPORATION

Figure 2C

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Figure 2D

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ASSESSMENT CLAIM EXPOSURE PER POLICY SOLD	REPRESENTATION LIMIT	POLICY LIMIT REMAINDER	ACTUAL REP CLAIM EXPOSURE PER AUDIT	REP CLAIM EXPOSURE PER POLICY SOLD	COMBINED ASSESSMENT AND REP CLAIM EXPOSURE PER POLICY SOLD	TOTAL CLAIM EXPOSURE PER POLICY SOLD
SECTION 11.4.2 CALCULATION	PROXY DEVELOPMENT	SECTION 11.4.3 CALCULATION	SECTION 11.4.3 CALCULATION	SECTION 11.4.4 CALCULATION	SECTION 11.4.5 CALCULATION	SECTION 11.4.6 CALCULATION
BASIC PLAN						
AUDIT RATE FOR RETURNS (WITHIN AUDIT RESULT) MULTIPLIED BY ACTUAL ASSESSMENT CLAIM EXPOSURE PER AUDIT	(POLICY LIMIT) MINUS ACTUAL ASSESSMENT CLAIM EXPOSURE PER AUDIT	LESSOR OF POLICY LIMIT AND REMAINDER REPRESENTATION (U. MT)	AUDIT RATE FOR RETURNS (WITHIN AUDIT RESULT) MULTIPLIED BY ACTUAL REP CLAIM EXPOSURE PER AUDIT	ACTUAL ASSESSMENT CLAIM EXPOSURE PER AUDIT PLUS REP CLAIM EXPOSURE PER POLICY SOLD	SUM OF COMBINED ASSESSMENT AND REP CLAIM EXPOSURE PER POLICY SOLD	
\$ -	\$ 1,500	\$ 1,500	\$ 1.114	\$ 1.114	\$ 1.11	
\$ -	\$ 7,500	\$ 1,500	\$ 2.164	\$ 2.164	\$ 2.16	
\$ -	\$ 7,500	\$ 300	\$ 0.371	\$ 0.371	\$ 0.37	
BASIC PLAN						
\$ 45.08	\$ 1,500	\$ -	\$ -	\$ -	\$ 45.08	
\$ 24.09	\$ 1,500	\$ -	\$ -	\$ -	\$ 24.09	
\$ 22.54	\$ 1,500	\$ 300	\$ 0.968	\$ 0.968	\$ 23.53	
						\$ 55,392

Figure 2E



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Figure 2F (Part 1) 1998 Data Book - Table 11 (By Classification and Type of Audit)

Continued on Part 2

CATEGORY	CATEGORY DESCRIPTION	RETURNS	DELTA %	AUDITS	AUDIT RATE	\$ (1,000'S)	AVG \$	DELTA %	REVENUE AGENT (CEP + NON-CEP)	AUDIT RATE	\$ (1,000'S)	AVE \$
A	ALL CATEGORIES	CHANGE	79.55	946,696	0.785%	\$ 6,045,701	\$ 6,424	88	147,698	0.122%	\$ 3,028,001	\$ 20,475
		NO CHANGE	20.45	243,885	0.2027%	\$ -	\$ -	12	20,166	0.0186%	\$ -	\$ -
		ALL	100.00	1,190,581	0.9876%	\$ 6,045,701	\$ 6,424	100	168,054	0.1406%	\$ 3,028,001	\$ 18,018
B	1049 - TPI < \$25,000	CHANGE	81.54	419,933	0.9261%	\$ 1,698,866	\$ 4,022	91	14,708	0.0324%	\$ 181,540	\$ 12,483
		NO CHANGE	18.46	95,682	0.2097%	\$ -	\$ -	9	1,455	0.0032%	\$ -	\$ -
		ALL	100.00	515,615	1.1358%	\$ 1,698,866	\$ 4,022	100	16,163	0.0356%	\$ 181,540	\$ 11,232
C	NON-1049A - TPI < \$25,000	CHANGE	84.25	87,665	0.0784%	\$ 329,872	\$ 3,761	91	10,076	0.0760%	\$ 111,319	\$ 11,647
		NO CHANGE	15.75	16,386	0.1585%	\$ -	\$ -	9	907	0.0077%	\$ -	\$ -
		ALL	100.00	104,050	0.0945%	\$ 329,872	\$ 3,761	100	11,023	0.0867%	\$ 111,319	\$ 10,653
D	TPI \$25,000 - \$50,000	CHANGE	86.91	143,541	0.5073%	\$ 463,193	\$ 3,220	91	14,844	0.0525%	\$ 155,792	\$ 10,482
		NO CHANGE	13.09	21,627	0.0764%	\$ -	\$ -	9	1,469	0.0052%	\$ -	\$ -
		ALL	100.00	165,168	0.5837%	\$ 463,193	\$ 3,220	100	16,317	0.0577%	\$ 157,792	\$ 9,948
E	TPI \$50,000 - \$100,000	CHANGE	83.82	101,740	0.8232%	\$ 394,702	\$ 3,782	90	15,035	0.0773%	\$ 165,762	\$ 11,160
		NO CHANGE	16.18	19,645	0.1010%	\$ -	\$ -	10	1,671	0.0066%	\$ -	\$ -
		ALL	100.00	121,384	0.8243%	\$ 394,702	\$ 3,782	100	16,705	0.0839%	\$ 167,792	\$ 10,444
F	TPI \$100,000 and OVER	CHANGE	85.13	752,979	0.7102%	\$ 2,865,523	\$ 3,700	91	54,666	0.0516%	\$ 916,443	\$ 1,276
		NO CHANGE	14.87	152,728	0.1441%	\$ -	\$ -	9	5,590	0.0250%	\$ -	\$ -
		ALL	100.00	905,707	0.8543%	\$ 2,865,523	\$ 3,700	100	60,256	0.0566%	\$ 916,443	\$ 1,276
G	SCH C - TGR < \$25,000	CHANGE	75.60	75,963	1.2517%	\$ 1,599,978	\$ 2,148	89	96,333	0.0311%	\$ 1,287,185	\$ 35,627
		NO CHANGE	24.40	24,419	0.4039%	\$ -	\$ -	11	4,481	0.0743%	\$ -	\$ -
		ALL	100.00	100,382	1.6556%	\$ 1,599,978	\$ 2,148	100	100,814	0.0743%	\$ 1,287,185	\$ 35,627
H	H C - TGR \$25,000 - \$100,000	CHANGE	86.40	48,269	1.8074%	\$ 224,296	\$ 4,647	92	7,993	0.0274%	\$ 93,061	\$ 11,687
		NO CHANGE	13.60	11,784	0.4855%	\$ -	\$ -	8	862	0.0274%	\$ -	\$ -
		ALL	100.00	60,053	2.2929%	\$ 224,296	\$ 4,647	100	8,855	0.0421%	\$ 93,061	\$ 10,752
I	SCH F - TGR < \$100,000	CHANGE	88.17	50,147	0.1554%	\$ 351,133	\$ 7,002	86	14,158	0.0373%	\$ 154,773	\$ 18,948
		NO CHANGE	11.83	8,790	0.2704%	\$ -	\$ -	11	1,747	0.0414%	\$ -	\$ -
		ALL	100.00	58,937	0.1829%	\$ 351,133	\$ 7,002	100	15,905	0.0429%	\$ 154,773	\$ 18,948
J	CH F - TGR \$100,000 and OVER	CHANGE	80.03	900	0.3257%	\$ -	\$ -	16	32,796	1.7689%	\$ 799,940	\$ 24,391
		NO CHANGE	19.97	900	0.1630%	\$ -	\$ -	15	6,247	0.3409%	\$ -	\$ -
		ALL	100.00	1,800	0.4887%	\$ -	\$ -	31	39,043	2.1271%	\$ 799,940	\$ 20,488
CATEGORY 3	SCH C AND/OR F	CHANGE	81.92	153,888	1.8478%	\$ 1,407,153	\$ 9,181	86	57,675	0.0683	\$ 1,031,312	\$ 17,181
		NO CHANGE	18.08	33,616	0.8077%	\$ -	\$ -	14	9,297	0.1121%	\$ -	\$ -
		ALL	100.00	187,504	2.2544%	\$ 1,407,153	\$ 9,181	100	66,972	0.8074%	\$ 1,031,312	\$ 15,399

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Continued from Part 1

1998 Data Book - Table 11 (By Classification and Type of Audit)

Figure 2F (Part 2)

DELTA %	AUDITS	TAX AUDITOR		SERVICE CENTER		DELTA %	AUDITS	AUDIT RATE	AVG \$	DELTA %	AUDITS	AUDIT RATE	AVG \$
		AUDIT RATE	\$ (1,000'S)	AUDIT RATE	\$ (1,000'S)								
79	315,767	0.2624%	\$ 1,321,562	\$ 4,252	79	463,707	0.1103%	\$ 1,725,148	\$ -	79	463,707	0.1103%	\$ 1,725,148
21	68,938	0.097%	\$ -	\$ -	21	131,254	0.109%	\$ -	\$ -	21	131,254	0.109%	\$ -
100	398,705	0.3321%	\$ 1,324,562	\$ 3,350	100	620,021	0.1514%	\$ 1,725,148	\$ 2,780	100	620,021	0.1514%	\$ 1,725,148
89	98,074	0.2185%	\$ 324,829	\$ 3,380	79	308,151	0.0755%	\$ 1,172,527	\$ 3,830	89	308,151	0.0755%	\$ 1,172,527
11	12,245	0.279%	\$ -	\$ -	21	61,392	0.1769%	\$ -	\$ -	11	12,245	0.1769%	\$ -
100	113,319	0.2455%	\$ 334,829	\$ 3,308	100	397,533	0.0647%	\$ 1,172,527	\$ 3,026	100	397,533	0.0647%	\$ 1,172,527
86	35,522	0.2130%	\$ 88,533	\$ 2,566	86	43,307	0.3246%	\$ 126,920	\$ 3,071	86	43,307	0.3246%	\$ 126,920
12	4,811	0.0372%	\$ -	\$ -	20	10,777	0.0819%	\$ -	\$ -	12	4,811	0.0819%	\$ -
100	40,063	0.3102%	\$ 88,533	\$ 2,268	100	52,864	0.4058%	\$ 126,920	\$ 2,457	100	52,864	0.4058%	\$ 126,920
88	68,501	0.2457%	\$ 170,855	\$ 2,408	87	59,161	0.2006%	\$ 136,446	\$ 2,258	88	68,501	0.2006%	\$ 136,446
14	11,314	0.0400%	\$ -	\$ -	13	8,845	0.0313%	\$ -	\$ -	14	11,314	0.0313%	\$ -
100	80,815	0.2686%	\$ 170,855	\$ 2,115	100	88,036	0.2406%	\$ 136,446	\$ 1,981	100	88,036	0.2406%	\$ 136,446
82	50,240	0.2584%	\$ 154,027	\$ 3,066	84	36,465	0.1876%	\$ 62,943	\$ 1,726	82	50,240	0.1876%	\$ 62,943
18	1,038	0.097%	\$ -	\$ -	16	6,946	0.0357%	\$ -	\$ -	18	1,038	0.0357%	\$ -
100	6,288	0.3151%	\$ 154,027	\$ 2,514	100	43,411	0.2233%	\$ 62,943	\$ 1,450	100	6,288	0.2233%	\$ 62,943
87	254,068	0.2387%	\$ 748,244	\$ 2,845	80	44,415	0.4189%	\$ 1,600,838	\$ 3,379	87	254,068	0.4189%	\$ 1,600,838
13	36,369	0.0372	\$ -	\$ -	20	107,748	0.1016%	\$ -	\$ -	13	36,369	0.1016%	\$ -
100	293,405	0.2789%	\$ 748,244	\$ 2,648	100	557,864	0.5208%	\$ 1,600,838	\$ 2,720	100	293,405	0.5208%	\$ 1,600,838
68	19,415	0.3212%	\$ 176,516	\$ 9,002	64	18,816	0.3226%	\$ 136,277	\$ 8,843	68	19,415	0.3226%	\$ 136,277
31	8,722	0.1443%	\$ -	\$ -	36	11,202	0.1659%	\$ -	\$ -	31	8,722	0.1659%	\$ -
100	28,137	0.4895%	\$ 176,516	\$ 8,273	100	31,118	0.5144%	\$ 136,277	\$ 4,379	100	28,137	0.5144%	\$ 136,277
84	26,032	0.2889%	\$ 56,854	\$ 3,694	70	14,265	0.4630%	\$ 36,044	\$ 2,457	84	26,032	0.4630%	\$ 36,044
16	4,958	0.1969%	\$ -	\$ -	30	8,113	0.2418%	\$ -	\$ -	16	4,958	0.2418%	\$ -
100	30,660	0.2549%	\$ 95,161	\$ 3,103	100	23,378	0.8265%	\$ 36,044	\$ 1,720	100	30,660	0.8265%	\$ 36,044
87	27,201	0.8457%	\$ 173,736	\$ 6,384	75	6,711	0.7699%	\$ 22,652	\$ 2,587	87	27,201	0.7699%	\$ 22,652
13	4,079	0.1284%	\$ -	\$ -	25	2,904	0.0896%	\$ -	\$ -	13	4,079	0.0896%	\$ -
100	31,380	0.9720%	\$ 173,736	\$ 5,537	100	11,614	0.9569%	\$ 22,652	\$ 1,948	100	31,380	0.9569%	\$ 22,652
80	10,881	0.5912%	\$ 142,487	\$ 13,313	65	4,529	0.9252%	\$ 25,872	\$ 5,590	80	10,881	0.9252%	\$ 25,872
20	2,713	0.1478%	\$ -	\$ -	36	2,402	0.1355%	\$ -	\$ -	20	2,713	0.1355%	\$ -
100	13,584	0.7380%	\$ 142,487	\$ 10,595	100	7,121	0.3880%	\$ 25,872	\$ 3,533	100	13,584	0.3880%	\$ 25,872
70	1,101	0.2594%	\$ 3,112	\$ 2,626	77	1,079	0.9261%	\$ 1,202	\$ 1,122	70	1,101	0.9261%	\$ 1,202
30	472	0.1112%	\$ -	\$ -	23	320	0.7835%	\$ -	\$ -	30	472	0.7835%	\$ -
100	1,573	0.3703%	\$ 3,112	\$ 1,678	100	1,380	0.9274%	\$ 1,202	\$ 888	100	1,573	0.9274%	\$ 1,202
69	381	0.1413%	\$ 2,286	\$ 5,878	81	1,244	0.4501%	\$ 4,512	\$ 3,627	69	381	0.4501%	\$ 4,512
31	175	0.0535%	\$ -	\$ -	19	292	0.1059%	\$ -	\$ -	31	175	0.1059%	\$ -
100	566	0.2046%	\$ 2,286	\$ 4,097	100	1,536	0.5557%	\$ 4,512	\$ 2,938	100	566	0.5557%	\$ 4,512
84	-	-	-	-	-	-	-	-	-	84	-	-	-
18	-	-	-	-	-	-	-	-	-	18	-	-	-
100	-	-	-	-	-	-	-	-	-	100	-	-	-

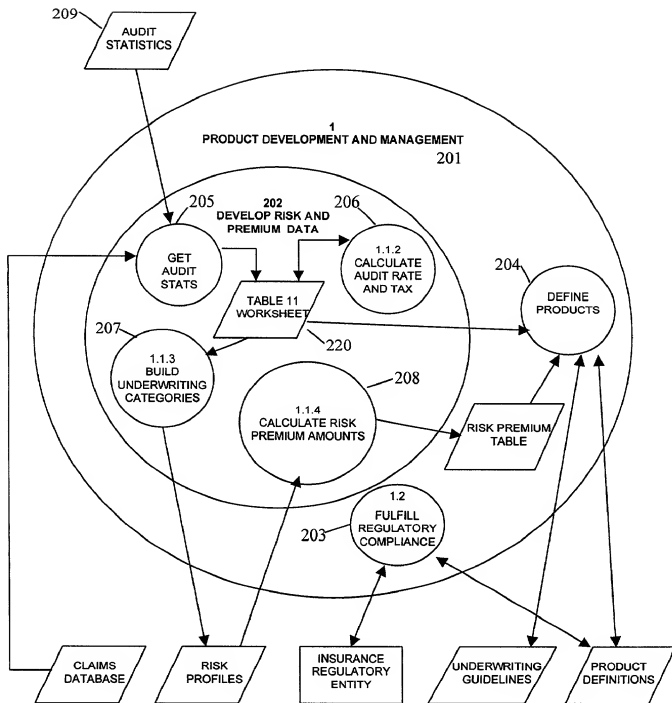


FIG. 3

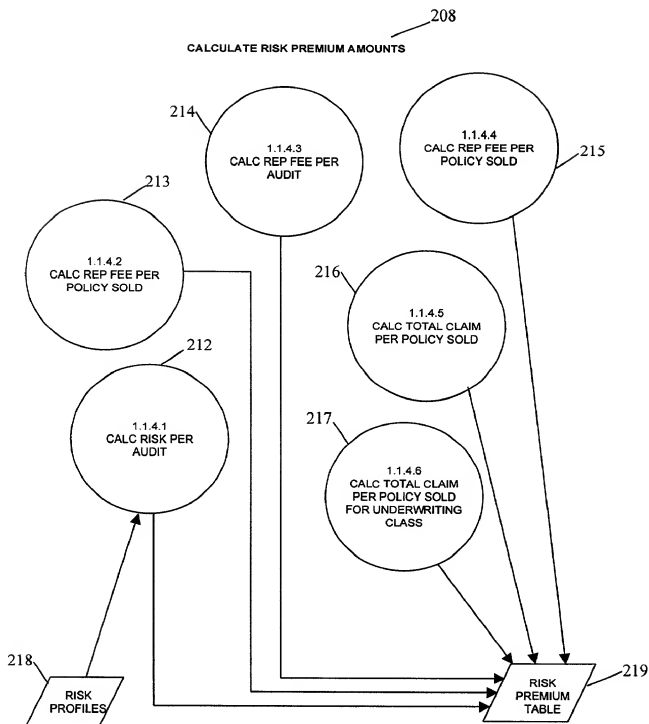


FIG. 4

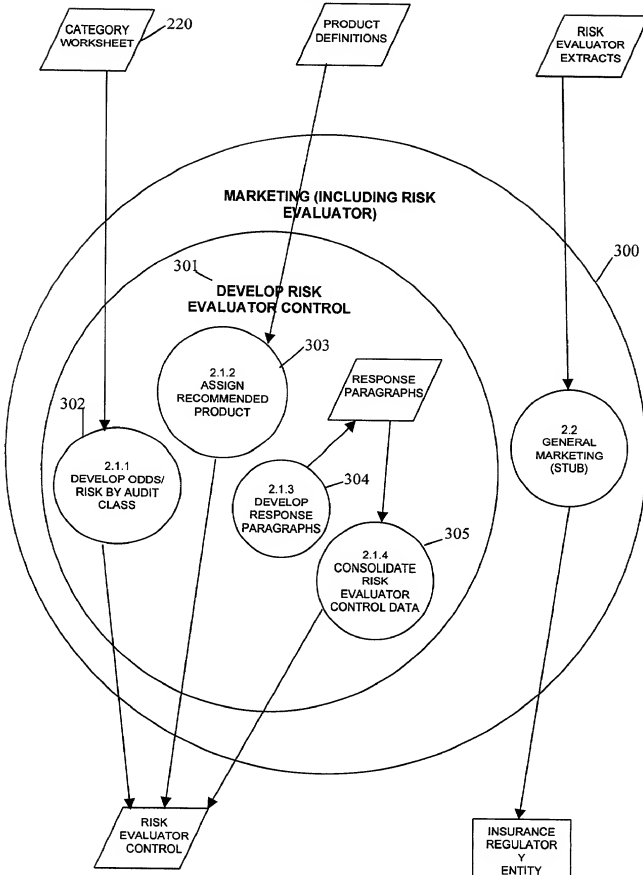


FIG. 5

## Risk Evaluator Questionnaire

1) Who prepares your tax return?

- ☐ Self ☒ Enrolled Agent  
☐ CPA ☐ Licensed Tax Professional

1a) If you prepare your own tax return, how did you prepare it?

- ☒ Manually ☐ TaxCut™  
☐ Online ☐ TaxSaver™  
☐ TurboTax™ ☐ Other

2) Did you file using a 1040A form (the short form)?

- ☐ Yes  
☒ No

3) What is your occupation?

Professional

4) What is your total income range?

\$50,000 - \$100,000

5) Did you file a schedule C (business) or F (farm)?

- ☒ Yes  
☐ No

If yes, Total Gross Receipts on Schedule C (Business) \$25,000 - \$100,000

If yes, Total Gross Receipts on Schedule F (Farm) N/A

Figure 6A

Title: METHOD AND SYSTEM  
FOR PROVIDING TAX AUDIT  
INSURANCE

Inventor(s): Daniel V. Walker et al.  
DOCKET NO.: 084478/0104

6) Did you file any of the following schedules?  
(check all that apply)

- ☒ Schedule A (Itemized Deductions)  
☒ Schedule D (Capital Gains / Losses)  
☐ Schedule E (Rental, or Sub S Corp, or Partnership)

7) What is your residence's 5-digit Zip Code?

95403

8) What is your e-mail address?

Please enter your e-mail address below if you would like to receive helpful tax tips, and updates about new products. We do not share our information with any other companies.

TESTAPPL@TAXINSURANCE.COM

Evaluate Risk

Think you won't get audited by the IRS?

In the time it took you to fill out this form nearly 10 more people have been selected for an IRS audit.

Figure 6B

Title: METHOD AND SYSTEM  
FOR PROVIDING TAX AUDIT  
INSURANCE

Inventor(s): Daniel V. Walker et al.

DOCKET NO.: 084478/0104

## Risk Evaluator Results

### Are you prepared to PAY?

Average additional taxes and penalties assessed in your category in past years is

**\$6,352.00**

Your risk of being audited by the IRS, based on past statistics for taxpayers matching your risk profile is:

**1 in 39**

(For comparative purposes, the risk of a major auto accident is 1 in 240 and the risk of a house fire is 1 in 1200)

### Your Low-Cost Solution! Purchase...

#### **PREMIER TAX INSURANCE**

Pays additional taxes assessed by the IRS in an audit, and pays your own tax professional to represent you (up to 20% of policy coverage amount). Single payment provides \$2,500 coverage for tax return for 4 years. (Copy of Schedule C required with application -- Fax to 707-579-2040)

\$2,500.00 COVERAGE: \$159

\$7,500.00 COVERAGE: \$321

Figure 6C



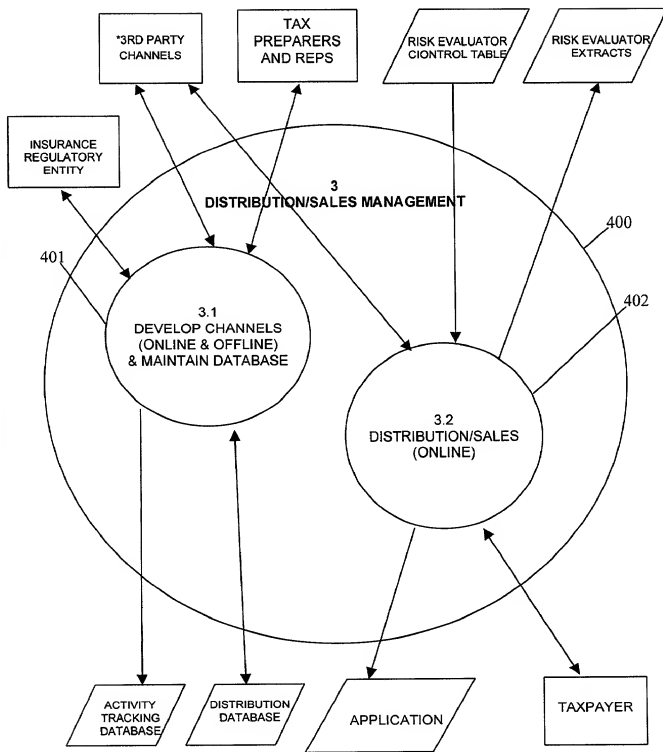


FIG. 7A

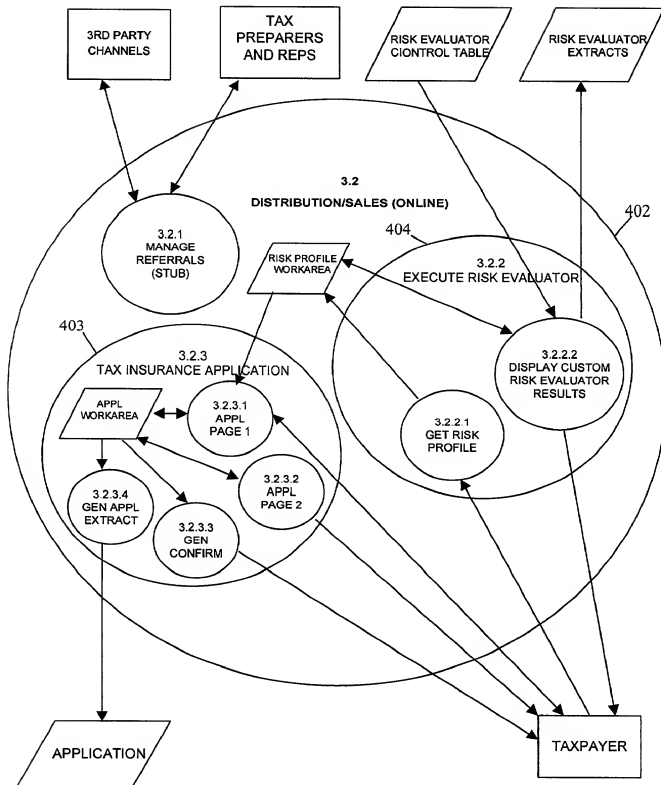


FIG. 7B

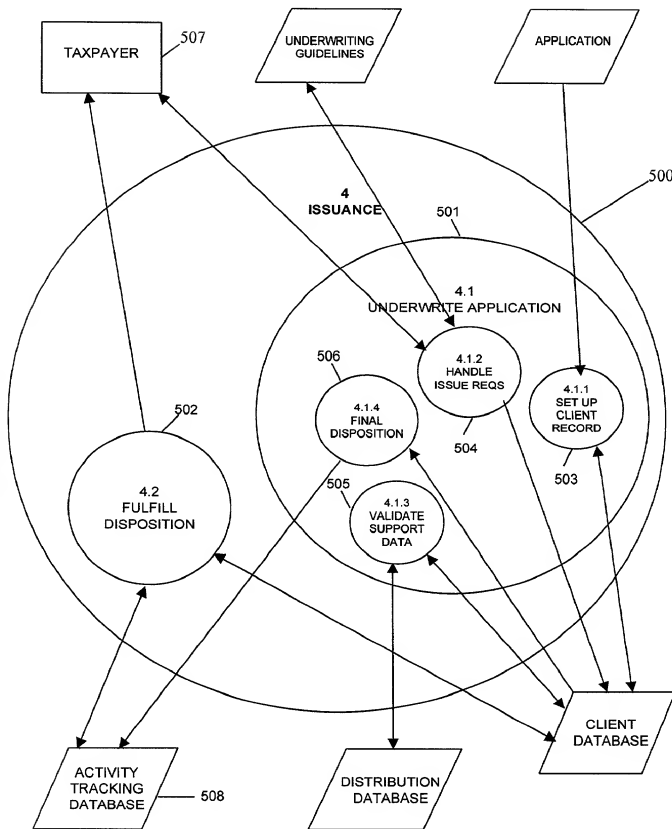


FIG. 8

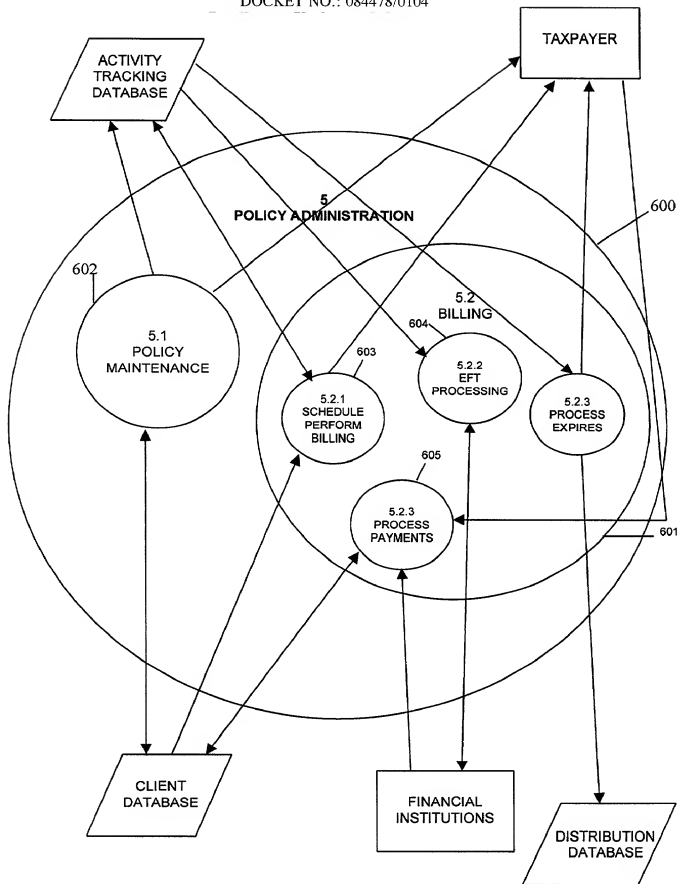


FIG. 9

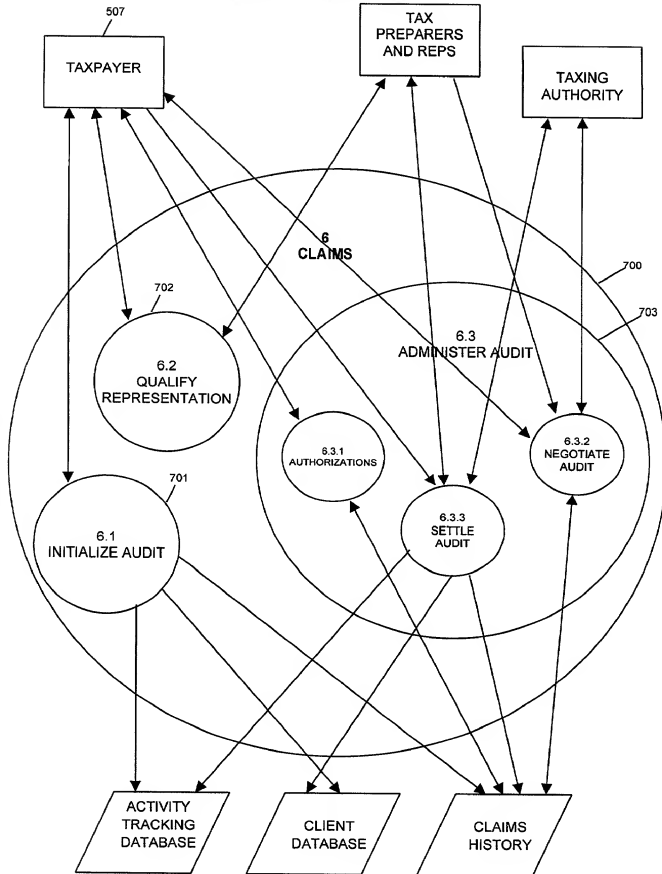


FIG. 10

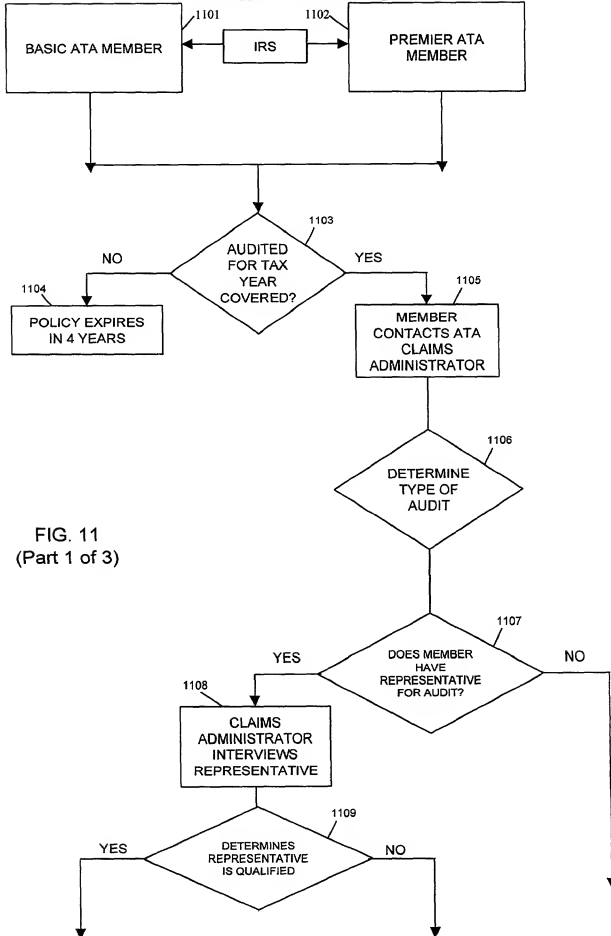


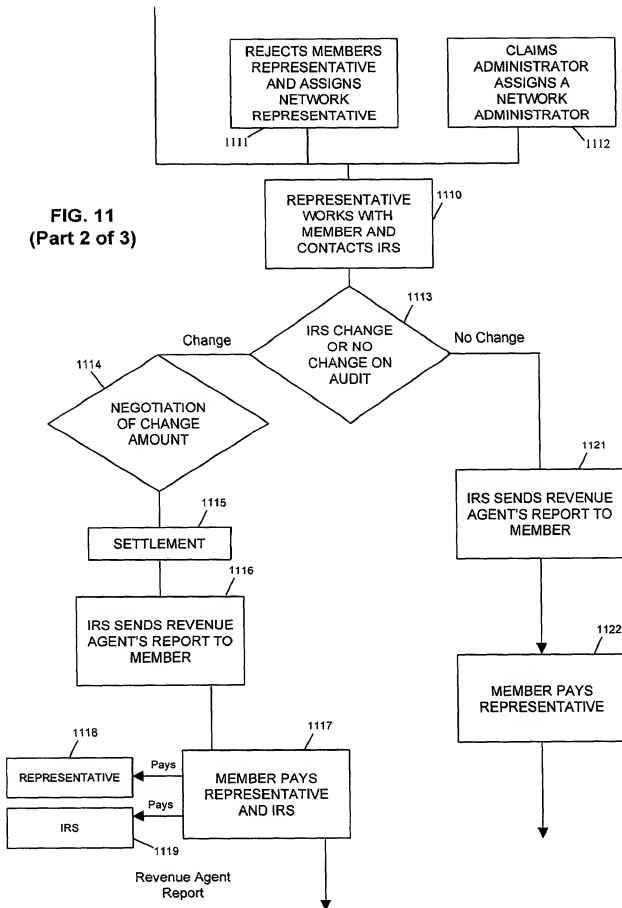
FIG. 11  
(Part 1 of 3)

Title: METHOD AND SYSTEM  
FOR PROVIDING TAX AUDIT  
INSURANCE

Inventor(s): Daniel V. Walker et al.

DOCKET NO.: 084478/0104

FIG. 11  
(Part 2 of 3)



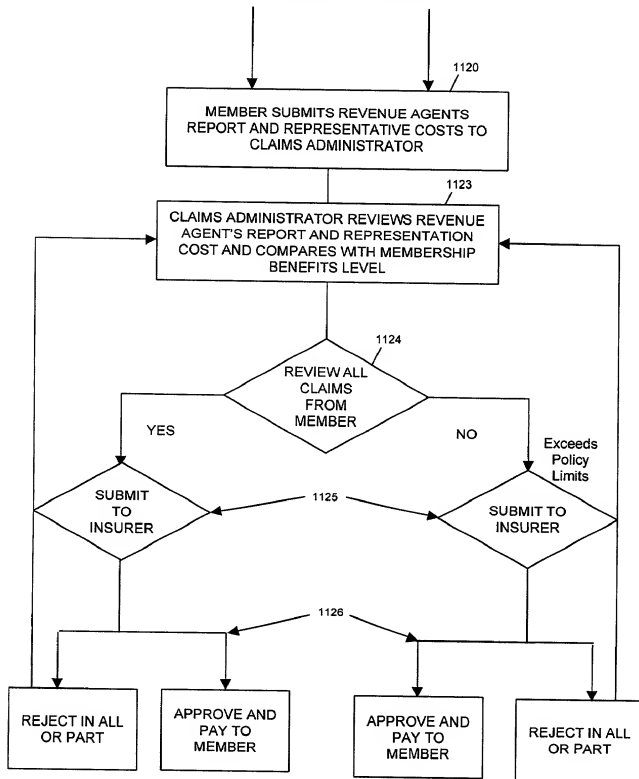


FIG. 11 (Part 3 of 3)



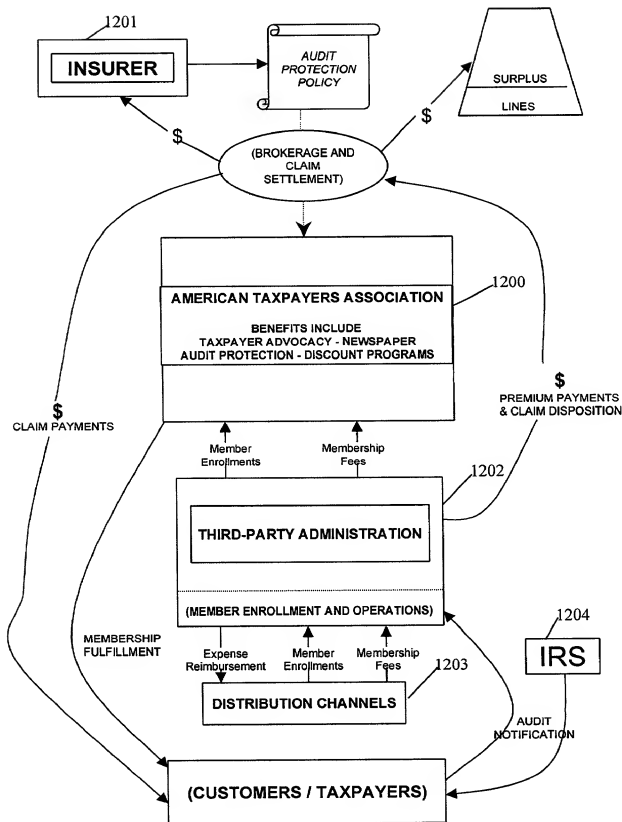


FIG. 12

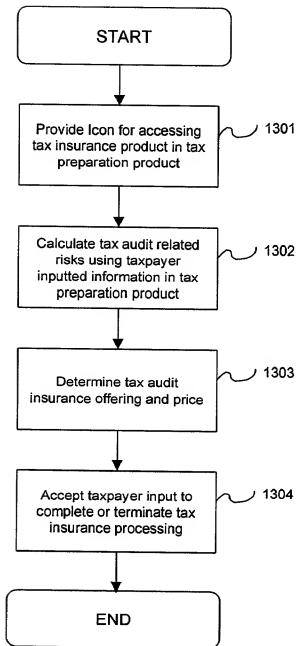


FIG. 13

Title: METHOD AND SYSTEM  
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INSURANCE

Inventor(s): Daniel V. Walker et al.

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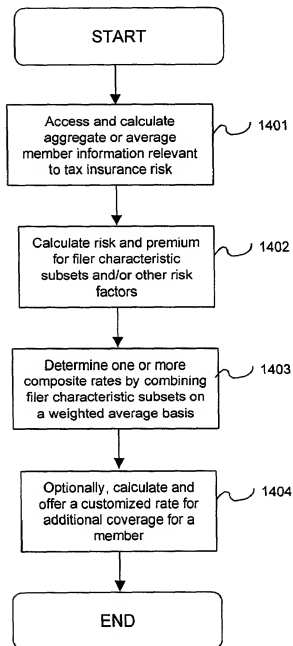


FIG. 14